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ABSTRACT

A statistical profile of the working poor in Chicago (Illinois) and the proceedings of the Working Poor Policy Forum held to discuss the findings of the profile are presented. In America it is supposed to be impossible to work and remain chronically poor, but in fact this is not the case. There are many ways to define the income working families need to be fully independent of any government incentive or assistance, but this project defined 150% of the official poverty line as the income criterion for defining the working poor. This was $19,011 for a family of four in Chicago. The service sector employed the largest portion of the working poor in Chicago, 55% of whom were in families headed by women. African Americans comprised 33.4% of Chicago's working poor, and Hispanics were 28.6%. Participants in the policy forum took varying positions on the issue that low wages were the predictable result of low job skills, but few disagreed that lack of skills was a problem. Participants devoted much of their attention to the problem of upgrading skills. How to enable the working poor to develop the attributes they need to take advantage of the opportunities of the future is the critical question for public policy. (Contains one table and five figures.) (SLD)

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Working Poor Families in the Chicago Metropolitan Area

Detail, Chicago between 35th and 39th Streets.
Photo by Clarence W. Hines. Chicago Historical Society.

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Working Poor Families in the Chicago Metropolitan Area

Statistical Profile and Proceedings of the Working Poor Policy Forum

June 1994

report prepared by
Chicago Urban League ▪ Latino Institute ▪ Northern Illinois University
The Chicago Urban League and the Latino Institute are members of United Way of Chicago.

funded by
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Detail, 2300 N. Lincoln, 1977. Photo by Allan Kass. Chicago Historical Society.

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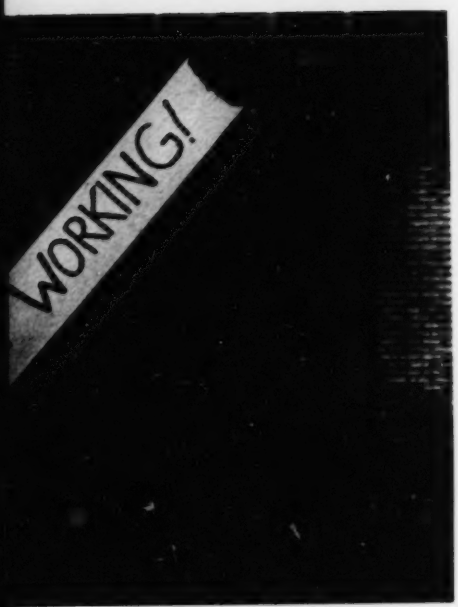

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Introduction

In America it is supposed to be impossible to work and remain chronically poor. One of our most enduring beliefs is that our system is expansive enough to enable people who work to pull themselves and their families out of poverty. Opportunity, it is assumed, is out there, given that the United States economy has created more than 35 million jobs in the last 20 years. However, many Americans who work earn too little to escape poverty.

The findings presented in this report and the discussion at a policy forum called attention to the plight of the working poor. These findings are especially relevant because current attempts to reform the welfare system are drawing attention to the phenomenon of working poverty. If current proposals for welfare reform serve only to swell the ranks of the working poor, what alternative policies can we develop to reduce working poverty and thus make welfare reform viable?

Our inquiry into the problem of working poverty began with an attempt to identify the issues surrounding the growing income gap between minority groups and Whites. As our work progressed, we extended its range to include the relationship between the deepening structural change in the American economy and the widening problem of working poverty. We also considered a key issue for the Clinton administration's Working Group on Welfare Reform, Family Support, and Independence — the development of policies to ensure that work pays enough to enable families now subsisting at the margin of work and welfare to remain permanently in the workforce. Integral to such policies are improving the quality of jobs available to the working poor and providing training and support services so that they can get and keep better jobs.

Policy Forum photo by Eric Werner.

Mitigating the problem of working poverty will require wide-ranging public discussion and cooperation among many interests. Therefore, we presented the results of the first phase of our research at a public forum to which we invited representatives from neighborhood groups, state and local government, labor, and the business community. We sought and received a wide range of opinion about what is desirable and what is feasible. In the rest of this report, we present the results of our statistical analysis of the working poor in metropolitan Chicago and the range of opinion expressed in the public forum convened to address their problems.

Detail, Maxwell Street, 1972. Photo by James Newberry. Chicago Historical Society.

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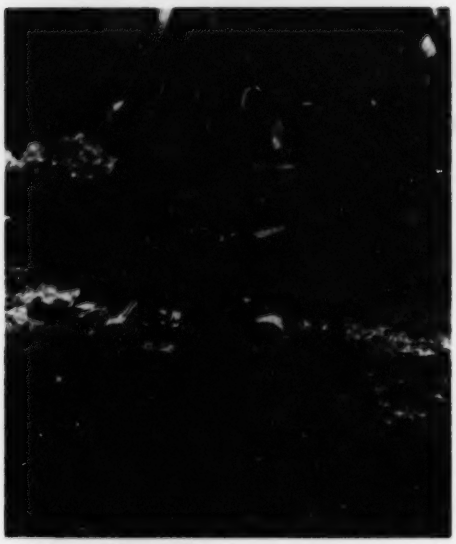
When Does Work Pay Enough?

We lack a common definition that establishes the income working families need to be fully independent, i.e., no longer in need of any government incentive or assistance. Many possible income criteria can be used:

- **The Official Poverty Line.** The Census Bureau uses the official poverty line, which was $12,674 for a family of four in metropolitan Chicago in 1989.
- **The Lower Living Standard.** The Bureau of Labor Statistics uses the lower living standard, which was $20,410 for a family of four in metropolitan Chicago in 1989.
- **Upper Income Limits for Government Programs.** These limits determine eligibility for various government services. They include:
  - about 125 percent of poverty for the Job Training Partnership Act.
  - about 130 percent of poverty for food stamps.
  - about 150 percent of poverty to determine ceilings for the Earned Income Tax Credit and the health care subsidies in the Clinton administration's national health care proposal.
  - between 150 and 185 percent of poverty for child care and housing subsidies.
- **AFDC Benefit Levels and Food Stamps Plus Costs of Working.** These levels represent the income that welfare recipients need to significantly exceed what they receive from cash grants, food stamps, medical and child care benefits, and subsidized housing as well as what they need to cover the cost of working (e.g., clothing and transportation). These estimates vary widely.



Detail, Maxwell Street, 1906.
Photo by Charles R. Clark.
Chicago Historical Society.

The Working Poor Policy Forum adopted 150 percent of poverty as the income criterion for defining the working poor for two reasons. First, a central focus of the forum was to develop state and local strategies to make work pay as part of a comprehensive welfare reform effort. Such strategies should be coordinated with corresponding reform efforts at the federal level. The Clinton administration has identified the Earned Income Tax Credit and the proposed Health Security Plan as the foundation for welfare reform. Both have income ceilings of about 150 percent of poverty.

Second, the federal government has defined 150 percent of poverty as the lower living standard for the Chicago metropolitan area in 1989. It approximates the income a family needs to be better off working than being on welfare, based on the cost of living and working in a major metropolitan area.

In 1989, in metropolitan Chicago (Cook, DuPage, Grundy, Kane, Lake, McHenry, and Will Counties) a large number of families were working poor. Who they are and what they do is the subject of our study.

How Many Working Poor Families?

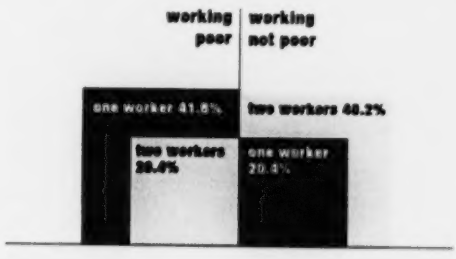
We analyzed all families with at least one person of working age (18 to 65 years) and with less than 80 percent of their income from Social Security. Of this group, we defined as working poor those families whose members together worked at least 26 weeks in 1989 but whose total income was less than 150 percent of the poverty level. In 1989 close to half (46.2 percent) of all poor families in metropolitan Chicago were working poor. For a family to be at 150 percent of poverty, one member would need to earn the following wages *and work 40 hours a week, 52 weeks a year* (Table 1).

In 1989 almost one in twelve working families in the metropolitan area were working poor (4.9 percent in the suburbs and 13.6 percent in the city). It appears that many working families managed to escape poverty only because more than one member worked (Figure 1). Of working poor families, 41.8 percent depended on a single income, and only 20.4 percent had two or more earners. These proportions reversed for working families that were not poor; 40.2 percent had two or more earners, and 20.4 percent had only one. If all working families had to rely on one earner alone, the proportion of working poor families would jump from 4.9 to 8.7 percent in the suburbs and 13.6 to 22 percent in the city.

Table 1 Wages and Hours

family size	wage	x 40 hrs/wk x 52 wks/yr =	150% of poverty
one	$4.55		$9,464
two	$5.82		$12,106
three	$7.13		$14,830
four	$9.14		$19,011

Figure 1 Number of Workers in the Family



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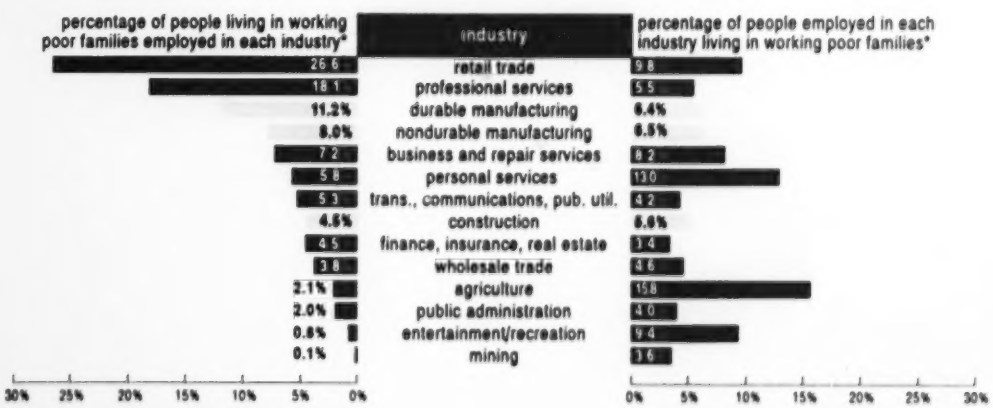
Where Do the Working Poor Work?

The service sector employed the largest portion of the working poor; 51.9 percent worked in the retail trade, professional services, or business and repair services industries. This finding supports the contention that working poverty has resulted from the decline of higher-paid manufacturing jobs and the rise of lower-paid service jobs visible throughout the American economy. Further support is provided by the fact that four of the six industries with the highest concentrations of working poor employees were in the service sector. However, almost 24 percent of the employed members of working poor families worked in manufacturing or construction, and 18.5 percent of the employees of those industries lived in working poor families (gray bars in Figure 2).

By itself, the shift to a service economy does not explain working poverty. The service industries include a wide range of occupations with vastly different skill levels and educational requirements. The educational levels of adults in working poor families differed from those of adults in non-poor families. Two and one-half times as many adults in working poor families did not complete high school, but three times as many adults in non-poor families completed college or did graduate work (Figure 3). On the other hand, almost half the adults in working poor families did complete high school or had some college education (48.3 percent, compared to 56.3 percent of the adults in non-poor working families).

Clearly, educational levels that once secured an adequate income are no longer sufficient. Employed members of working poor families tended to be concentrated in low-skilled occupations. The five occupa-

Figure 2 Which Industries Employ the Working Poor?



*Explanatory note: 26.6 percent of the employed members of working poor families worked in the retail trade industry.

*Explanatory note: 9.8 percent of the people employed in the retail trade industry lived in working poor families.

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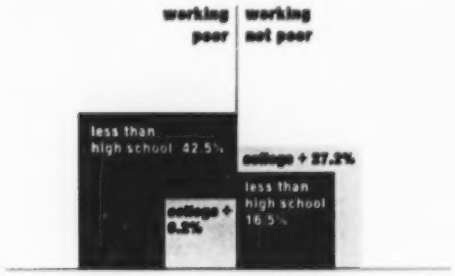
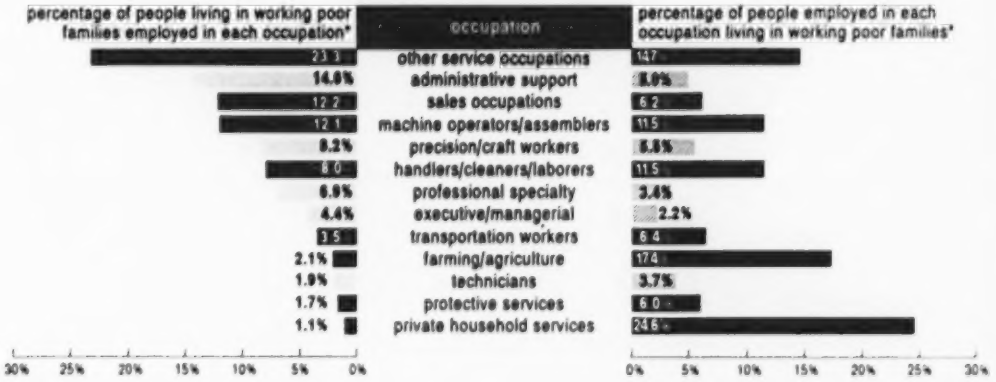
Figure 3 Adult Educational Levels



tions with the highest percentages of working poor employees were all unskilled (Figure 4, right side). However, 9.3 percent of the employees in technical, professional, and managerial occupations were working poor (Figure 4, right side), and fully 36 percent of the employed members of working poor families worked at occupations requiring more than minimal skill (Figure 4, left side, gray bars). Education and skills explain part of the problem of working poverty — but only part.

Figure 4 Which Occupations Do the Working Poor Pursue?



*Explanatory note: 23.3 percent of the employed members of working poor families worked at other service occupations.

*Explanatory note: 14.7 percent of the people working at other service occupations lived in working poor families.

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The Organization of Work and the Structure of Families

A striking difference between workers in poor and non-poor families reflects the changing organization of work in the contemporary economy. The working poor tend to work part of the week or part of the year, reflecting the shift to a contingent workforce that is accelerating in the American economy. Nevertheless, not even the 35 percent who worked at least 50 weeks *and* 35 hours per week during 1989 were able to earn more than 150 percent of poverty. Working poverty thus reflects the erosion of wages as well.

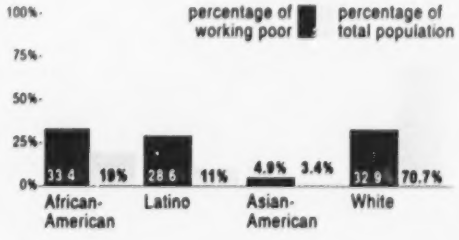
The family structure of working poor families tends to make it more difficult for them to compensate for the part-time earnings of one member with the earnings of other members. Sixty-six percent of the working poor families in metropolitan Chicago had only one adult, compared to 41.5 percent of the non-poor families. In addition, 61.7 percent of working poor families had dependent children (compared to 46 percent of the non-poor families). A large number of working poor families had young children; 33.1 percent had children under six (compared to 18.7 percent of the working non-poor), and 37.4 percent had children between the ages of six and thirteen (compared to 21.6 percent of the working non-poor). Working poor families worked less of the year and had fewer workers. In addition, more of them needed child care — a major expense.

Patterns of Gender, Race, and Ethnicity

Fifty-five percent of the adults in working poor families were women; 44.8 percent were men. These proportions are slightly different from the gender composition of the population, which is 51.4 percent female and 48.6 percent male.

Racial and ethnic breakdowns were far more skewed. Although African-Americans comprise 19 percent of the metropolitan population, 33.4 percent of the adults in working poor families were African-American. The figures for Latinos were similar; 28.6 percent of working poor adults were Latino, compared to only 11 percent in the population. Furthermore, Latinos are the group most likely to be working poor. Almost one-fifth (18.9 percent) of the Latinos in metropolitan Chicago were working poor, compared to 13.2 percent of the African-Americans and 3.6 percent of the Whites.

Figure 5 Race and Ethnicity



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Discussion at the Policy Forum

The forum discussion about the significance of our findings ranged widely, from the complex relationship among skills, productivity, and wages to the intractable power of discrimination pervasive in our society. Some participants argued that low wages were the predictable result of low skills.

> There is a lack of . . . higher-paying jobs, but . . . there [are] still tremendous skill shortages. . . . It's very easy to blame the private sector for their contribution to the problem. . . . If a company can use increased productivity of [the] workforce to . . . be more competitive, [it] will pay workers more. [It] will not pay workers more . . . to do a job they are not skilled or equipped to do.

Other participants took sharp issue with the position that low wages were primarily a function of the low productivity of unskilled workers and raised questions about the structure of the American economy.

> [Manufacturers] are going to move their plants because we have many manufacturers without a social conscience who are concerned only about quarterly earnings and who will look for the working poor someplace else if they can't find the working poor here. . . . We should be beyond blaming our workers for our productivity issues. Certainly, there's an equal problem with American management.

Other participants connected the inequitable impact of structural change with deeper social and cultural questions.

> Basically, [we're] saying that the only difference between poor working people [and poor people who don't work] is that they're not lazy. And so what employers get to do is say, "Well, they're not lazy, but they don't have the skills we need." . . . What actually happens is that employers try to find people who have skills that they can pay extremely minimal wages, and we go through a series of job training programs. We have people who are on their third or fourth wave of job training, and we still want to define these people as being unskilled. . . .
>
> We as a society have to face up to the fact that there are in fact discriminatory barriers, that there are in fact systematic ways of keeping women [and] people of color out of the labor force. And when they're in the labor force, they are only permitted to do certain kinds of jobs.

On the other hand, few participants disagreed that the lack of skills was a problem. The issue emerged quickly and stayed salient throughout the discussion.

> Forty percent of the people coming into our JTPA system are on welfare. Half read at the eighth grade level or lower. Twenty percent read at the sixth grade level or lower.

Looking west on 35th Street from Iron Street, February 1983.
Photo by Casey Prunchunas. Chicago Historical Society.

Policy Forum photo, Eric Werner.

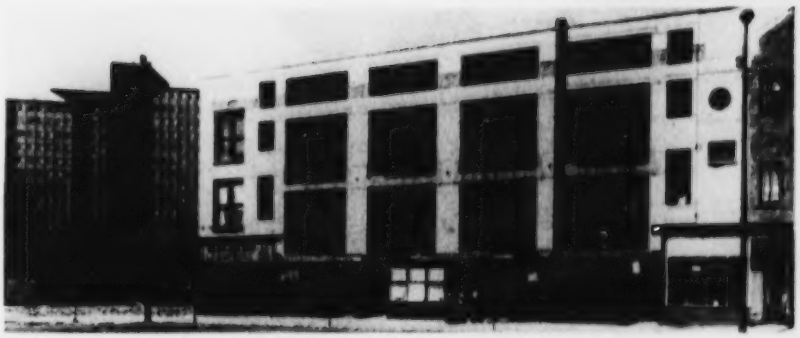
Some participants connected the issue of skills to searching questions about how we attribute value to work and how we as a society determine what we need.

> We need to stop and rethink what kind of employment is important to us. . . . People who care for the elderly . . . there is a skill set that doesn't require a degree in engineering. It requires a certain kind of personal characteristic that . . . leaves employment opportunities open to people across a much greater range.

Other participants argued that there would always be low-wage jobs, however necessary that work might be, and that government services would be required to assist these workers, particularly with child care and health care.

Notwithstanding the general assent to this position, participants devoted much of their attention to the problem of upgrading skills. Many expressed deep concern about the efficacy of training programs in light of declining wages and the rise of contingent labor. Several pointed out that if people complete a training program only to enter yet another low-wage job, they will almost certainly slip back into welfare.

Policy Forum photo by Eric Werner.



Detail, 42nd and Cottage Grove, 1968. Photo by Sigmund J. Osty. Chicago Historical Society.

> It's the declining wages and declining benefits in these jobs which is drastically thwarting . . . our job training system. . . . We have to address the issue of adequate compensation and benefits in these jobs. A lot of the movement to part-time jobs has been about avoiding the payment of full-time benefits. . . . The move to part-time jobs is immensely destructive to people who want to work, who are making an effort to work, and . . . literally cannot find a full-time job.

Policy Forum photo by Eric Werner.

On the other hand, participants acknowledged the intense competitive pressure exerted on the economy and recognized that effective policies to address working poverty will require wide-ranging cooperation between the public and private sectors.

Increasing the number of good jobs is one part of the solution; however, if we cannot create enough good jobs, then the other part of the solution is improving the quality of the jobs the working poor now hold. Both will require a flexible, innovative approach that combines extensive training opportunities with a range of services to support working poor families as they move to economic sufficiency. Only then will it be reasonable to expect welfare recipients to move to independence.

Future Directions

How we analyze the cause of working poverty will largely determine the policies we formulate to develop a solution. Our research suggests that we cannot locate the cause solely in the personal characteristics of the working poor themselves. The economy has restructured dramatically to meet intense global competition, sharply reducing the number of well-paid, full-time production jobs that were once the way out of poverty for millions of Americans with little specialized training and few technical skills. This development has caused severe dislocation in the shape of chronic underemployment for a rising number of people, affecting millions of families.

Clearly, some kinds of opportunities have closed. Others, however, have opened. New forms of production have emerged that demand new kinds of skills—cognitive, technical, and interpersonal. How to enable the working poor to develop the attributes they need to take advantage of these opportunities is the critical question for public policy. Thus, the issues of welfare reform and working poverty must be located within a comprehensive discussion about building a workforce development system and the public-private coordination necessary to implement it.

Policy Forum photo by Eric Werner.

The Working Poor Policy Forum
December 8, 1993

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